CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 19, 2002

H.R. 1108

A bill to amend title 38, United States Code, to provide that remarriage of the surviving spouse of a veteran after age 55 shall not result in termination of dependency and indemnity compensation

As introduced on March 20, 2001

SUMMARY

H.R. 1108 would allow a veteran's surviving spouse who remarries after age 55 to continue receiving dependency and indemnity compensation (DIC) payments from the Department of Veterans Affairs (VA). CBO estimates that enacting this legislation would increase direct spending by $38 million in 2003, $368 million over the 2003-2007 period, and $779 million over the 2003-2012 period. In addition, the bill would increase spending subject to appropriation by less than $100,000 each year over the 2003-2007 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 1108 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1108 is shown in the following table. This estimate assumes the legislation will be enacted by October 1, 2002. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	38	71	88	86	85
Estimated Outlays	38	71	88	86	85

a. Implementing the bill would also require small increases in spending subject to appropriation; but such increases would be less than $100,000 a year.

BASIS OF ESTIMATE

H.R. 1108 would allow a surviving spouse who remarries after age 55 to continue receiving DIC payments. The bill would apply retroactively, allowing surviving spouses who have already remarried after the age of 55 to resume receiving DIC payments.

Direct Spending

Under current law, the VA provides DIC payments to the surviving spouse of certain deceased veterans. If a surviving spouse remarries, DIC payments cease. Should the subsequent marriage end, either due to divorce or death of the new spouse, DIC payments can resume. In fiscal year 2001, about 300,000 surviving spouses received DIC payments. CBO estimates that in that year, a little more than 300 surviving spouses over age 55 (or about 0.1 percent of all surviving spouses receiving DIC) remarried and stopped receiving DIC payments as a result. CBO projects that, under current law, the number of remarriages would gradually increase each year as the overall population of DIC recipients increases and exceed 400 a year by the end of the decade.

CBO estimated the costs for three groups of surviving spouses—those over age 55 who would remarry under current law, those over age 55 who would choose not to remarry under current law but would remarry if H.R. 1108 were enacted, and those who remarried after age 55 before enactment of this bill.

Surviving Spouses Over Age 55 Who Would Remarry Under Current Law. CBO estimates that over the 2003-2012 period, 395 surviving spouses over age 55 would remarry each year on average under current law. Under H.R. 1108, federal spending for DIC would increase because those surviving spouses would now receive DIC payments that would have stopped under current law. The average DIC payment in fiscal year 2001 was $11,942.

Such payments are adjusted annually for increases in the cost of living. After accounting for expected mortality of the remarried surviving spouses as well as their new spouses, CBO estimates that the additional cost to provide DIC payments to surviving spouses over age 55 who would remarry under current law would be $6 million in 2003, $67 million over the 2003-2007 period, and $233 million over the 2003-2012 period.

Surviving Spouses Over Age 55 Who Would Choose Not to Remarry Under Current Law. Under H.R. 1108, some surviving spouses over age 55 might choose to remarry who would not have done so under current law. CBO estimates there would be no additional cost to provide DIC payments to those individuals. Because those surviving spouses would choose to remain unmarried and receive DIC payments continuously under current law, providing DIC payments if they remarry would result in no additional costs to the program.

Surviving Spouses Who Remarried After Age 55 Before the Assumed Enactment Date. H.R. 1108 also would apply retroactively, allowing surviving spouses who remarried after age 55 before enactment of this legislation to resume DIC once this legislation was enacted. After accounting for expected mortality of the remarried surviving spouses as well as their new spouses, CBO estimates that, over the 2003-2012 period, almost 5,700 surviving spouses who remarried after age 55 would resume receiving DIC payments. That estimate assumes that about 65 percent of the eligible retroactive cases would apply to resume DIC payments. CBO estimates that the additional cost to provide DIC payments to this population be $32 million in 2003, $301 million over the 2003-2007 period, and $546 million over the 2003-2012 period. Such costs could obviously be much higher or lower, depending on the portion of eligible people that apply for this retroactive benefit.

Together, CBO estimates that the additional cost to provide DIC payments to surviving spouses who remarry over age 55 would be $38 million in 2003, $368 million over the 2003-2007 period, and $779 million over the 2003-2012 period.

Spending Subject to Appropriation

CBO estimates that enacting H.R. 1108 would result in almost 5,700 retroactive cases of surviving spouses applying to reinstate their DIC payments. Processing those additional applications would increase outlays by less than $100,000 each year over the 2003-2006 period, assuming appropriation of the necessary amounts, CBO estimates.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through fiscal year 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	38	71	88	86	85	84	83	82	81	81
Changes in receipts	Not applicable										

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 1108 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Michelle S. Patterson and Victoria Heid Hall
Impact on State, Local, and Tribal Governments: Elyse Goldman
Impact on the Private Sector: Sally Maxwell

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis